GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:957
ANSWERED ON:28.07.2000
INCOME TAX DEDUCTION ON INTEREST OF FIXED DEPOSITS OF BANKS
JAYASHREE BANERJEE

Will the Minister of FINANCE be pleased to state:

(a) whether income tax deduction is being made on the interestof the fixed deposits in the banks;

(b) if so, the details thereof and the amount received from such income tax deduction on the interest during the last three years;

(c) whether there is any proposal to provide relaxation in income tax deduction on interest to promote short term fixed deposits in the banks; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI V. DHANANJAYA KUMAR)

(a):- Yes, Sir.

(b):- It is not possible to furnish the information relating to amount of Income Tax deducted by each bank on interest on fixed deposits during the last three years because as per the Income-Tax Act, each branch of the bank is given a separate Tax Deduction Account Number (TAN) and each branch is required to file separate annual statement in Form No.26A for deduction of tax on interest on fixed deposits under the provisions of Section 194A of the Income Tax Act, 1961. The branches of the banks spread all over the country, are not required to file such annual statements with the Assessing Officer where the assessment of a particular bank is made. Moreover, TDS on interest on fixed deposits is not separately furnished in the TDS returns filed by each branch of a Bank.

(c) & (d):- No, Sir. Infact, the existing provisions in the Act do take care of the interest of small investors. Deduction of tax on interest on fixed deposits by a particular branch of a Bank is required to be made u/s 194A of the Act only if amount of such interest paid/payable to a person during a financial year exceeds Rs. 10,000/-. Moreover, as per section 197A(1A), no deduction of tax u/s 194A is required to be made if a person, other than a company or a firm, furnishes to the Bank a declarationin writing in the prescribed form to the effect that the tax on his estimated total income of the relevant year will be NIL. In view of the existing provisions, there is, no need to provide any further relaxation.